

Tax Information

Bulletin

Issued Quarterly

June 2002

California State Board of Equalization
P.O. Box 942879, Sacramento, CA 94279-0001

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The easy "EZ" return

Looking for an easier way to report your taxes? If all your sales and use tax transactions are made in the same taxing jurisdiction (for example, in the same city), you may be able to use our "EZ" Sales and Use Tax Short Form (BOE-401-EZ).

To qualify, you must have either

- A single location, or
- Multiple locations that share the same master seller's permit number and are in the same taxing jurisdiction.

Example: You would qualify if you had three restaurants, all of which were located within the boundary of the City of Los Angeles. You would *not* qualify if one of the restaurants was located in the County of Los Angeles, but outside the city boundary.

You do not qualify if you

- Sell fuel, automobiles, boats, or aircraft.
- Make partially exempt sales to aircraft common carriers.
- Need to adjust your return because your fixed-price contract or lease is not subject to the current tax rate.
- Are on a prepayment reporting basis.
- Claim sales tax paid to other states.

Claiming deductions on the EZ

EZ filers may claim the following deductions and exemptions:

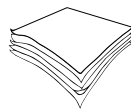
- Sales for resale.
- Nontaxable sales of food products
- Sales to the United States Government.
- Nontaxable labor.
- Sales in interstate or foreign commerce.

Any other deductions (for example, bad debts, cash discounts, and partial state tax exemptions for manufacturers and farm equipment sales) cannot be claimed on the BOE-401-EZ.

If you think you qualify and would like to change to the BOE-401-EZ reporting form, please call our Information Center at 800-400-7115 or contact your local Board office.

Does a revised regulation affect you?

To find out, check the following list of sales and use tax regulations that have been revised since July 2001. A notation follows the summary if we have already written a *Tax Information Bulletin* article on the subject, or if a supplemental article is available. You can go online or call our Information Center for copies of Board regulations.



- **1503, Hospitals and Other Medical Service Facilities, Institutions and Homes for the Care of Persons.**

Relates to changes in the consumer and retailer status of facilities for property used in connection with providing services. Further explains that certain feeding therapy supplies become component parts of meals when provided to patients. (See also article 6, March 2002 issue.)

- **1525.2, Manufacturing Equipment.**

Revised the sections affected by the January 1, 2002, state sales and use tax increase of 0.25 percent. As a result of the increase, the manufacturer's exemption increased from 4.75 percent to 5 percent.

- **1532, Teleproduction or Other Postproduction Service Equipment.**

Revised the sections affected by the January 1, 2002, state sales and use tax increase of 0.25 percent. As a result of the increase, the teleproduction exemption increased from 4.75 percent to 5 percent.

- **1574, Vending Machine Operators.**

Added a presumption that vending machine sales are made on a tax-included basis.

- **1598, Motor Vehicle and Aircraft Fuels.** Explains when a qualified person may issue an exemption certificate to a fuel vendor for sales or use tax paid on federal excise

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tax imposed on the purchaser's entire fuel purchase.

- **1617, Federal Taxes.** Revised to make consistent with the revisions to Regulation 1598.
- **1620, Interstate and Foreign Commerce.** Clarifies the application of tax to purchases of vessels outside of California for use in this state. Also explains when an intermodal cargo container is regarded as first functionally used outside California for purposes of the interstate and foreign commerce exemption.
- For a supplemental article on intermodal cargo containers, please go online to www.boe.ca.gov/news/tib02.htm. Or request a fax copy by calling 800-400-7115 (choose automated services).
- **1642, Bad Debts.** Explains when a lender or retailer may claim a bad debt deduction on taxable sales for accounts receivable sold "without recourse." (See also article 7, March 2002 issue.)
- **1660, Leases of Tangible Personal Property—in General.** Clarifies the application of tax to maintenance or cleaning services related to the lease of portable toilets.

For a supplemental article on portable toilets, please go online to www.boe.ca.gov/news/tib02.htm. Or request a fax copy by calling 800-400-7115 (choose automated services).

- **1661, Leases of Mobile Transportation Equipment.** Clarifies when an election to pay use tax liability measured by the fair rental value of mobile transportation equipment must be made.
- **1668, Sales for Resale.** Provides a new resale certificate for the auto body repair and painting industry (see also article 6, September 2001 issue). Further revisions clarify the seller's burden of proving that a sale is for resale, and the purchaser's liability for tax when purchasing items for resale (see also the following article on sales for resale).

- **1684, Collection of Use Tax by Retailers.** Increases the trade show limit to \$100,000 of net income. Under certain restrictions, retailers may not be considered "engaged in business" in California based solely on their convention and trade show activities.
- **1699, Permits.** Defines the term "concessionaire" and clarifies when a retailer is liable for tax from unreported sales made by a concessionaire operating within the perimeter of a retail business.
- **1705, Relief from Liability.** Provides an approval process for purchasers who request to report use tax liability based on a percentage.
- **1705.1, Innocent Spouse Relief from Liability.** Adds provisions concerning "equitable relief" and further clarifies when claims can be filed.



Do you make sales for resale?

If you do, you should obtain a timely resale certificate from your customer in order to document your sale as a nontaxable sale for resale.



Required information

The certificate may be in any form, such as a note, letter or memorandum. However, it must contain the following information:

- The name and address of the purchaser.
- The number of the seller's permit held by the purchaser (if the purchaser is not required to hold a California seller's permit, see *Note* in next column).
- A description of the property to be purchased.
- A statement that the property described in the document is being purchased for resale. The certificate must contain the phrase "for resale." The use of words

such as "nontaxable," "exempt," or similar terms is not acceptable.

- The date of the document.
- The signature of the purchaser, purchaser's employee, or authorized representative of the purchaser.

Note: A business may not be required to hold a California seller's permit (for example, it may not make sales in this state). If you are selling to a purchaser who is not required to hold a seller's permit, but wishes to make a purchase using a resale certificate, the purchaser must indicate on the certificate that he or she does not hold a California seller's permit and why a permit is not required.

New text recommended

To encourage the correct use of resale certificates, sales and use tax Regulation 1668, *Sales for Resale*, was recently revised to recommend that a "For Your Information" section be included in the certificate, explaining the penalties for misusing a resale certificate. Although a resale certificate does not need to include the "FYI" section to be valid, we believe the added information provides purchasers with valuable information. If you start using the new certificate, be sure to retain your customers' old certificates for at least four years from the date of the new certificates.

Timely acceptance

To be valid, a resale certificate must be submitted on a timely basis. This means that it must be taken at or prior to the delivery of the property to the purchaser, before you bill the purchaser for the property, or at any time within your normal billing and payment cycle.

If you don't accept a timely resale certificate in good faith from your customer, you are liable for tax on your sale unless you can provide

("Sales for resale" continued on page 4)

You are invited...

Small Business Fairs

Need help figuring out your tax reporting requirements? Or some other government requirement? If you do—and who doesn't?—you are encouraged to attend a small business fair near you.

The Board of Equalization, along with federal agencies and other state agencies, hosts several free Small Business Tax Fairs throughout the state. The seminar topics covered will vary at each fair, but typically the following subjects are covered: reporting requirements for sales, payroll, and income taxes; reporting for Social Security; property taxes; bad check enforcement; INS requirements; and problem resolution through the Taxpayers' Rights Advocate.

Representatives from the Board of Equalization, FTB, EDD, IRS, and many other agencies are on hand to help answer your individual questions and provide free reference materials.

San Gabriel Valley

September 13

Radisson Hotel

West Covina Office 626-480-8226

Sacramento

September 16

Doubletree Hotel

Sacramento Office 916-227-1882

Monterey Bay

September 23

Embassy Suites Hotel, Seaside

San Jose Office 408-277-8240

Orange County

September 27

Cal State University, Fullerton

Laguna Hills Office 949-461-5732

San Diego

October 18

Point Loma Nazarene University

San Marcos Office 760-744-6284

Van Nuys


October 23

Airtel Plaza Hotel

Van Nuys Office 818-901-5690

Can we save you a seat?

It is not necessary to reserve a seat, but it would help us plan if you could let us know that you are coming. You can reserve your spot by contacting the specific Board office listed above. You can also register by e-mail. From www.boe.ca.gov, click on "Free Seminars" located in the right column titled "Featured Links." Write to the e-mail address provided for the event you want to attend.

 www.boe.ca.gov/sutax/tpsched.htm

Taking care of BUSINESS



Have you used our fax-back system?

Many of our forms and publications are available through our automated fax-back system. Just call 800-400-7115, choose "automated services," and follow the instructions. The service is available 24 hours a day.

You will need to punch in a specific code number for a document. So, if you are a first-time user, you must first ask the system to fax you a copy of the master list of files, which shows the codes that are used.

Bill of Rights hearings

Each year, the elected Members of the Board of Equalization hold public hearings to give taxpayers, tax professionals, and other interested parties the opportunity to comment on the tax and fee programs administered by the Board. If you would like to suggest ways to improve our services, or if you want us to look more closely at a tax or fee issue, you are encouraged to present your ideas before the Board.

Although you do not need to be scheduled in advance to speak at the hearing, it would help us to prepare if you contacted us beforehand to let us know your topic. If your proposal is complex or extensive, we encourage you to submit it in advance and then summarize it in your oral presentation.

Business & Property Tax Hearings

Culver City

Tuesday, August 20, 2002

1:30 p.m.

Board of Equalization District Office
5901 Green Valley Circle, Suite 207

Sacramento

Thursday, October 3, 2002

1:30 p.m.

Board of Equalization Headquarters
450 N Street, 1st Floor Board Room



To notify us of a topic you wish to discuss or to send written material in advance, please contact the Taxpayers' Rights Advocate MIC:70
P.O. Box 942879
Sacramento, CA 94279-0070
Call toll-free: 888-324-2798
Fax: 916-323-3319



www.boe.ca.gov/tra/tra.htm

*Sales for resale**(continued from page 2)*

other documentation that shows the property

- Was in fact resold by the purchaser and was not used by the purchaser for any purpose other than retention, demonstration or display while holding it for sale in the regular course of business, or
- Is being held for resale by the purchaser and has not been used by the purchaser for any purpose other than retention, demonstration, or display while holding it for sale in the regular course of business, or
- Was consumed (used) by the purchaser and tax was reported directly to the Board by the purchaser on the purchaser's sales and use tax return, or
- Was consumed (used) by the purchaser and tax was paid to the Board by the purchaser pursuant to an assessment against or audit of the purchaser developed either on an actual basis or test basis.

For more information about what to do if you didn't get a resale certificate from your customer, including the letter verification method used by the Board in audits, you should download or request a copy of Regulation 1668, *Sales for Resale*.

For more information, see ...

- Publication 103, *Sales for Resale*
- Publication 42, *Resale Certificate Tips*



Status of regulations affecting agricultural exemptions

A public hearing was held on March 27, 2002, to consider comments on the following proposed regulations for implementing the agricultural exemptions enacted by Assembly Bill 426:

- 1533, *Liquefied Petroleum Gas*
- 1533.1, *Farm Equipment and Machinery*
- 1533.2, *Diesel Fuel Used in Farming Activities or Food Processing*

The Board adopted the regulations at the public hearing. However, the regulations do not become effective until approved by the Office of Administrative Law (OAL) and then filed by the OAL with the California Secretary of State. The regulations become effective 30 days after being received by the Secretary of State.

As of the date this article was written, the OAL's approval of the regulations was still pending. A special notice detailing the approved regulatory language will be enclosed with the September 2002 sales and use tax returns.

In the interim, we encourage you to visit the Board's website at www.boe.ca.gov/sutax/sutexempt.htm or to call the Board's Information Center for the current status of the proposed regulations.



New or revised reference material

Sales and Use Tax Publications

- 61 Sales and Use Taxes: Exemptions and Exclusions (February 2002)
- 71 California City and County Sales and Use Tax Rates (April 2002)
- 76 Audits (December 2001)
- 105 District Taxes and Delivered Sales (February 2002)

Sales and Use Tax Regulations

- 1574 Vending Machine Operators (effective, October 20, 2001)
- 1598 Motor Vehicle and Aircraft Fuels (effective December 1, 2001)
- 1617 Federal Taxes (effective December 1, 2001)
- 1620 Interstate and Foreign Commerce (effective February 7, 2002)
- 1642 Bad Debts (effective January 16, 2002)
- 1660 Leases of Tangible Personal Property (effective January 5, 2002)
- 1661 Leases of Mobile Transportation Equipment (effective January 3, 2002)



Do you file once a year?

If you don't get the *Tax Information Bulletin* on a quarterly basis, you can write to our Mail Services unit and ask to be added to Mailing List 15.

Write to the following address:

Addressing Systems, MIC:12
Board of Equalization
PO Box 942879
Sacramento, CA 94279-0012

For More Information All telephone numbers are toll-free.

Information Center

800-400-7115
Telephone devices for the deaf
800-735-2929 (TDD) ■ 800-735-2922 (Voice)
www.boe.ca.gov ■ www.taxes.ca.gov

Internet

Requests for Fax Copies

Seller's Permit Verification

Taxpayers' Rights Advocate

Tax Evasion Hotline

State Legislation

800-400-7115 (Choose automated services.)
888-225-5263 ■ www.boe.ca.gov
888-324-2798 ■ www.boe.ca.gov
888-334-3300
www.leginfo.ca.gov